

Retiring Times

Volume 1 Number 3

Retired Teachers

July 2002

Message from Vermont State Treasurer James Douglas

I want to reassure all of you that your pension fund is sound and your benefits are secure. My office has received dozens of phone calls from teachers around the State who are concerned about the health of their retirement

"My office has received dozens of phone calls from teachers..in the wake of the Enron and WorldCom scandals."

plan in the wake of the Enron and WorldCom scandals. It is unfortunate that press reports of losses in the pension fund caused you any worry, but your plan is just fine. In fact, The State Teachers' Retirement Fund had a total return of 3.4% for the year ended March 31, 2002, which means that the fund increased by \$37 million since last April 1. When compared to all other public

pension funds, your fund ranks in the top third over the past seven years.

Let me explain how your pension system works. Yours is a defined benefit, or DB, plan. In a DB plan, your eventual benefit is a contractual responsibility of the State. Your benefit is determined by your number of years of service and your final average compensation, NOT by investment performance. The assets of the plan are invested in both the stock and bond markets because it is the best method to accumulate additional assets.

Right now your plan has a market value that is 98.1% of all future liabilities. That means that if the plan were suddenly frozen, 98.1% of all the money needed to provide promised benefits to active and retired

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Message from Director of Retirement Cynthia L. Webster

Our world changed on September 11 with the attacks on New York and Washington. Many of us have friends, family, or business associates in those areas. Some of us may have lost a loved one.

If anyone – you, a member of your family, a colleague, or a friend - is called to active duty during these troubled times, please save the following information on how to obtain retirement credit for time on active duty.

The school should report to us that an employee has been called to active duty. This will notify us of the reason for the cessation of retirement contributions from the member. The individual does not need to contact us when he or she is called to active duty – the school will do this.

However, the individual should contact the Retirement Office as soon as possible after returning to work. He or she should let us know that they were called to active duty

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participants would already be there on a market value basis. Sounds pretty good, doesn't it? But the next part gets a little more difficult to explain.

The plan retains an actuary to project just what all those future liabilities will be. The actuary makes a lot of assumptions about how long retired people will live and what their benefits will be based on future salaries. In addition, the actuary projects asset growth at 8 ½% annual rate. These assumptions are very difficult to predict with complete accuracy, so to compensate both for changes in demographic statistics and investment market fluctuations, the actuary employs a five-year smoothing technique that recognizes only 20% of accumulated investment gains or losses in any one year. After that calculation, the actuarial valuation of assets is \$1.117 bil-

lion, or 89% of all future liabilities – still a very well funded plan.

Since three of the last five years had accumulated gains, there are approximately \$20 million more in additional gains waiting to be absorbed into the system on an actuarial basis – much more than the \$2.5 million loss in Enron in the fourth quarter. I wish I could report that none of the investment managers had invested in Enron, and I am sure that they wished they had not as well. However, I am pleased to report that our exposure to WorldCom was limited to a small investment in a bond portfolio. Thus, the retirement plan remains very healthy and your benefits remain secure.

Please call my office if you have further questions.



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Electronic Deposit of Pension Checks

"Electronic Deposit" refers to the transfer of money from the Retirement Office directly to your bank account. It eliminates the need for a monthly pension check, which can be stolen, misplaced or delayed in the mail. The electronic deposit of your monthly pension check ensures that your money will be in your bank account and available to you on the last working day of each month. Via electronic deposit, your pension check can be directly sent to any bank account (checking or saving) in Vermont or anywhere in the U.S. There is no cost for this service.

To start electronic deposit, please contact your bank to inquire about electronic deposit and obtain your

account number. Then call or write the Retirement Office for a form to start electronic deposit of your pension check. The form will require your signature and the bank account number that should receive your monthly pension check. After the Retirement Office processes the electronic deposit form, your next pension check will be sent directly to your bank account. Currently, 89% of all retired teachers use automatic deposit. For more information or to change to electronic deposit, please contact 828-2305 or 800-642-3191 (The toll free number is only available in Vermont.)

Director's Message (continued from page 1)

and that they have now returned to work. To be eligible for retirement credit, they must return to work within 90 days of discharge from active duty.

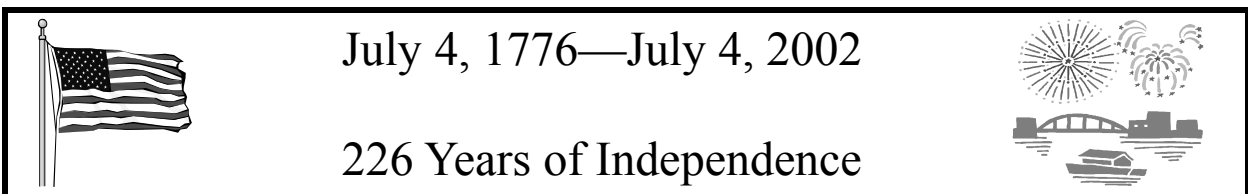
We will need a copy of the DD214 or other discharge paper, the day that they began active duty, and the day that they finished active duty. We will then determine the amount of retirement credit that they have earned while on active duty.

The retirement credit will cover all periods of active duty, whether it is just a few weeks or a few years. The retirement credit will be based upon the full-time or part-time work that they were doing prior to being called to active duty. (If the individual was not an active member and contributing to the retirement fund at the time that he or she was called to active duty in the military, then retirement credit cannot be granted when that individual finishes active duty military service.)

Finally, if a member is injured while on active duty in the military and is unable to return to their employment, they should still contact us. The intent of the law is to give them full credit toward retirement, and we will try to fulfill that intent of the law. We would also consider disability retirement benefits for members who are permanently disabled and unable to work. A disability retirement would provide a retirement pension upon confirmation of their disabled status by the Board of Trustees. Their pension amount would be determined by the number of years of employment for the school.

In summary, the individual only has to return to work within 90 days of discharge, contact the Retirement Office after they return to work, and provide a copy of the DD214 or other discharge paper. If these three things are done, retirement credit will be given for all active duty time in the reserves or national guard.

Cynthia L. Webster



Organization for Retired Teachers

The Vermont Retired Teachers Association is a membership organization for retired educators.

If you would like to join the Vermont Retired Teachers Association or receive their newsletter, please contact them at one of these addresses:

Marion Taylor, Membership Chairperson
P O Box 364
Johnson, VT 05656

or

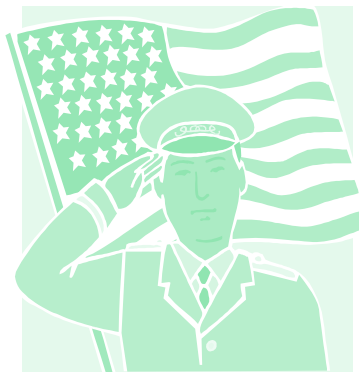
Frank Hubbard, President
363 Cliff Street
St. Johnsbury, VT 05819

Military Stipend Payments To Retired Teachers

Last year, the Vermont Legislature authorized the payment of \$500 for each year of full-time military service during a recognized conflict period. The maximum that any person could receive was three years or \$1,500. Veterans had to apply for the stipend by June 30, 2002.

A total of 208 retired teachers received this military stipend. The average payment was \$870. The total amount paid to all retired teachers was \$180,878.

Most of the retired teachers who received stipends were World War II veterans (137 people), although a considerable number were also Korean Conflict veterans (69 people). Only two retired teachers who received stipends were veterans of the Vietnam Conflict.



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